

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

Hilton Hotel
168 So. Robles Avenue
Pasadena, California 91101
May 24, 2001

PANEL MEMBERS

Marsha Kwalwasser
Acting Chairperson

David Brown
Member

Aram Hodess
Member

Robert Holstein
Member

Robert Lennox
Member

Patricia Murphy
Member

Tom Rankin
Member

Executive Staff

Ada Carrillo
Acting Assistant Director

Peter G. DeMauro
General Counsel

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I. CALL TO ORDER

Ms. Kwalwasser, Acting Chairperson, called the public Panel meeting to order at 9:00 a.m.

II. ROLL CALL

Members Present

Marsha Kwalwasser, Acting Chairperson
David Brown
Aram Hodess
Robert Holstein
Robert Lennox
Tom Rankin (arrived at 10:00 a.m.)

Members Absent

Pat Murphy

Executive Staff Present

Ada Carrillo, Acting Assistant Director
Peter DeMauro, General Counsel

III. APPROVAL OF AGENDA

Ms. Kwalwasser announced that due to illness Dr. Tom Lieser was not present to give an overview of California's economic conditions. She stated presentations of area economic conditions throughout the State will be presented to the Panel periodically.

ACTION: Mr. Brown moved and Mr. Hodess seconded the Panel approve the Agenda.

Motion carried, 5 – 0.

IV. APPROVAL OF MINUTES

Ms. Kwalwasser referred to the minutes of April 26, 2001, and asked if ETP is working with the Office of Administrative Law (OAL) to amend the proposed revision to regulation 22 CCR 4407 regarding the Workforce Investment Boards.

Mr. DeMauro assured the Panel that staff is working with OAL on regulatory language for 22 CCR 4407, which did not go forward, and the regulation will be brought back to the Panel for approval.

ACTION: Mr. Hodess moved and Mr. Brown seconded the Panel approve the minutes of April 26, 2001, and May 8, 2001.

Motion carried, 5 – 0.

V. REPORTS OF THE PANEL MEMBERS

Ms. Kwalwasser reported she is a member of the State Workforce Investment Board (WIB) and recently attended one of its meetings. She stated the WIB holds regional meetings throughout the State for the purpose of ensuring that the local WIBs, which are new to the process, are working together and with the State WIB. Ms. Kwalwasser stated she updated the WIB on the ETP.

VI. REPORT OF THE EXECUTIVE DIRECTOR

Mr. DeMauro reported on recent budget hearings in the legislature and how they impact the ETP. The May revision of the Governor's budget indicates that \$46.7 million will be allocated from the Employment Training Fund (ETF) to the Department of Social Services CALWorks for Employment Services. He stated the \$46.7 million will be in addition to the \$15 million already allocated to the Department of Social Services for CALWorks, for a total of \$61.7 million. The new allocation uses up all the reserve in the ETF. He indicated the matter will go to Conference Committees because of probable differences in Assembly and Senate versions.

Ms. Carrillo presented the Fund Status for this fiscal year. She stated \$116.8 million was appropriated from the ETF. Out of that appropriation, \$41 million is transferred to programs outside ETP, including the Department of Social Services, State and local Labor Market Information Division, Department of Industrial Relations, and EDD for collection of the Employment Training Tax. The ETP has \$86.4 million available for training funds, which includes monies that have not been earned in previously approved contracts. Ms. Carrillo reported the Panel would have a balance remaining of \$14.9 million if all projects being presented on May 24, 2001, are approved. She stated staff anticipates fully encumbering the \$14.9 million in projects that will be presented next month.

Mr. Hodess stated he would like to see the Panel target areas of employment by industrial categories for the next fiscal year. He stated the Panel should anticipate more employer contributions which would provide additional money for training.

Mr. Rankin stated he felt the Panel should go on record as to its opposition to the reapportionment of the \$46.7 million to be used for general fund purposes. He emphasized the statutory purpose of this fund, which is derived from employers paying a payroll tax, is to enable funding for employers to provide training for their workforce in order to remain viable in the California economy. Mr. Hodess stated it is not just a matter of transferring \$46.7 million to a general fund for employment services, it is taking funds intended for training programs that would create stable employment and have a significant multiplier effect on the California economy.

ACTION: Mr. Rankin moved and Mr. Brown seconded the Panel oppose the transfer of \$46.7 million from the Employment Training Fund to be allocated to CALWorks Program.

Motion carried, 5 – 0 – 1 (Ms. Kwalwasser abstained).

Mr. DeMauro stated staff would draft a letter to the Legislative Committee stating the Panel's concerns and objections and forward to the Panel for review.

Mr. DeMauro reported on the project presentation process. He stated for the past few months, all projects have been presented to the Panel, including those projects less than \$100,000 that would normally be considered by the Executive Director for approval. He suggested the Panel consider delegating authority to the General Counsel or to the Executive Director, when appointed, for the approval of agreements/amendments less than \$100,000 that are straightforward and do not contain any questionable issues. Alternatively, the Panel may consider the possibility of mailing a separate Panel packet which would include only projects that are less than \$100,000. He stated the General Counsel or Executive Director would present to the Panel any project that included issues that would be of interest to the Panel or which a Panel member requests to be heard. Ms. Kwalwasser stated that she would like to review all projects that are in the "pipeline" so as to get a better understanding of the different types of proposals. Mr. Rankin stated he would prefer receiving separately for review those projects or amendments that are less than \$100,000. Mr. Hodess suggested incorporated other information items in the supplemental package, such as policy issues, etc.

ACTION: Mr. Rankin moved and Mr. Brown seconded that the Panel receive for review, under separate cover and prior to the regular Panel packet mailing, those projects or amendments that are less than \$100,000.

Motion carried, 6 – 0.

VII. CONSENT CALENDAR -- AGREEMENTS/AMENDMENTS USUALLY APPROVED BY THE EXECUTIVE DIRECTOR

Mr. DeMauro stated The Greater Merced Chamber of Commerce proposal for \$39,596 should be included in the Consent Calendar. He also stated there are four projects from separate facilities of Inland Paperboard & Packaging that cumulatively amount to over \$100,000. He suggested grouping these to be heard as one item.

Diana Torres, manager of the San Diego field office, presented an overview of four One-Step Agreements for Inland Packaging and Paperboard, Inc., for Inland's Tracy, Ontario, Los Angeles, and Santa Fe Springs facilities, for a cumulative program cost of \$334,880. These projects are referrals from the California Manufacturing and Technology Association and are supported by the local Graphic Communications Union and the Paper, Allied-Industrial, Chemical & Energy Workers International Union. The collective bargaining agreements are not applicable for the Ontario and Los Angeles plants. Collectively, Inland will train 593 trainees in Computer, Business Management and Continuous Improvement skills. All four plants share the same challenge of a drop in paper prices, and they need to maintain profits and create a market driven culture. To meet these needs, Inland began its transition to a high performance workplace in 1995 with its first ETP project. Inland is implementing a new company wide information system integrated package and point solution also known as IPPS. The IPPS system training is in addition to and is supported by the other continuous improvement training proposed.

The in-kind expenses are separate projections for each plant exclusive from each other. Staff recommends Panel approval of these four one-step agreements.

Robert Renad, Resource Manager, of the Santa Springs operation gave a brief overview of their proposed training program.

ACTION: Mr. Brown moved and Mr. Lennox seconded the motion to approve all four Inland Packaging & Paperboard One Step Agreements as a group.

Motion carried, 6 – 0.

Mr. De Mauro asked if it were the pleasure of the Panel to move approval on the remaining projects in the less than \$100,000 category. Specifically those projects are the following:

The Greater Merced Chamber of Commerce
Bear Creek Winery
Joseph Phelps Vineyards
Knauf Fiber Glass (Amendment)
Netafim Irrigation, Inc. (Amendment)
Coherent, Incorporated
The Gap, Incorporated

Stanford Microdevices, Incorporated
Endevco Corporation
James Hardie Building Products, Incorporated
Chatsworth Products, Incorporated

ACTION: Mr. Rankin moved the Panel approve the Agreements and Amendments that are under \$100,000 and usually approved by the Executive Director be approved as a group. Mr. Hodess seconded the motion.

Motion carried, 6 – 0.

VIII. AGREEMENTS AND AMENDMENTS

Mr. DeMauro informed the Panel that Final Agreements on the Consent Calendar are Proposed Agreements previously approved by the Panel with certain contingencies. . When the projects are brought back on Consent, this indicates all contingencies have been met and staff recommends approval as a Final Agreement. He presented the Agreements: The Permanente Group, System Studies, Inc., and Unigen Corporation, which were all heard by the Panel at the April Panel meeting. System Studies, Inc. and Unigen Corporation were heard by the Panel at the May meeting as Proposed Agreements. The Permanente Group is the first Career Ladders proposal undertaken in conjunction with Employment Development Department (EDD). Its purpose is to train Certified Nursing Assistants in the Kaiser Company. Since it is the first Career Ladders project with regard to ETP working with the EDD, it was initially taken to the Panel as a Proposed Agreement and approved as such. The Kaiser Permanente Group Proposed Agreement is now being presented to the Panel for approval as a Final Agreement. Ms. Kwalwasser asked if the Panel must vote on each individual Proposed Agreement/Consent Item or if it is possible to vote for those projects as a unit. Mr. DeMauro stated that the Panel could vote on the Proposed Agreements/Consent Calendar as a unit and if there is a question, any one of the Proposed Agreements could be taken aside for consideration.

ACTION: Mr. Rankin moved to adopt the Consent Calendar for Proposed Agreements as a whole. Mr. Hodess seconded the motion.

Motion carried, 6 – 0.

Wal-Mart Stores, Incorporated – Distribution Center, Porterville

Charles Rufo, manager of ETP's Sacramento field office, presented a One-Step Agreement for Wal-Mart Stores, Inc. – Distribution Center, Porterville. This project is a Technology, Trade and Commerce Agency referral. This Agreement proposes to retrain 850 employees in a menu curriculum consisting of Continuous Improvement, Leadership Skills, Computer Skills, Manufacturing Skills, and Vocational English as a Second Language to move a High Performance Workplace.

The Wal-Mart distribution center in Porterville receives merchandise from manufacturers located throughout the world. This distribution center is located in Tulare County, where the unemployment rate is 17.8 percent, exceeding the state average by more than 50 percent and is considered a High Unemployment Area.

Wal-Mart Stores estimates training and training related costs not covered by ETP funds to be \$50,000. The company estimates that the wages to be paid to trainees during training will be \$1,994,400. Additionally, the expected training expenditure for the two years following ETP training will be approximately \$2 million.

Ms. Kwalwasser recused herself from any participation, including the discussion and vote, on this project and handed the gavel to Mr. Hodess. Likewise, Mr. Brown recused himself from the discussion and vote on this project. Mr. DeMauro stated the Panel is without a quorum due to the recusals, which were for financial reasons. Mr. Hodess stated that the Company representatives could make their presentations at today's Panel meeting but Panel action on the project would have to be deferred to next month's Panel meeting. The four Panel members acted as a Committee of the Whole only to take comments from the Contractor.

Mr. Rufo introduced Susan Hamlin, Personnel Manager and William K. Parker, President, National Training Systems, Inc. Ms. Hamlin gave a brief summary of Wal-Mart's history and training plan. Mr. Rankin stated his concern regarding the similarity of safety training that is currently provided by Wal-Mart and the safety training proposed for ETP funding. Ms. Hamlin stated the training proposed is supplemental and more comprehensive than the training normally provided by Wal-Mart.

Mr. Hodess stated his concern regarding ETP funding training for retail stores. He stated that even though this project proposes funding for a distribution facility, it is a distribution facility for a retail store. Mr. Hodess requested the staff review the Panel's policy on funding training for retail contracts and report to the Panel at the next meeting when the Wal-Mart contract proposal returns for consideration.

Mr. DeMauro stated that the Panel has, in the past, funded training for warehouse facilities that generally are engaged in out-of-state competition. He suggested it may be appropriate to revisit the out-of-state competition regulation.

Mr. Hodess was also concerned with the issue of the corporate headquarters. Wal-Mart's corporate headquarters is in Arkansas. He stated there are certain benefits derived when the corporate headquarters is based here in California. Mr. Hodess stated he would like this issue reviewed by staff also.

Chevron Products Company/Richmond Refinery II

Creighton Chan, manager of ETP's San Mateo field office, presented a One-Step Agreement for Chevron Products Company in the amount of \$370,760 to retrain 395

employees in Manufacturing Skills, Continuous Improvement, Business Skills, Management Skills, Hazardous Materials, and Computer Skills. In addition to the advanced high performance workplace skills, workers will be trained how to operate new machinery and processes. The California Manufacturers Training Association referred this project to ETP. Approximately 300 of the 395 retrainees are represented by the following unions: Boilermakers Local 549; PACE Local 8-5; IBEW Local 302; and the IUPIW Local 22. All of these unions support Chevron's application for ETP funded training.

Mr. Chan introduced Brian McCarthy, Human Resources Manager, and Daryl Singleton, Projects Team Leader, from Chevron Products Company; Bob Schwind of IBEW; and George Whitten of PACE. Mr. McCarthy gave a synopsis of the previous training program, which is 80 percent complete.

Mr. Hodess stated his concern regarding ETP funding training that parallels apprenticeship programs. Mr. Singleton assured the Panel that this training is considered enhancement training and is apart from the journey level training.

ACTION: Mr. Rankin moved and Mr. Lennox seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 6 – 0.

KLA –Tencor Corporation

Mr. Chan presented a Proposed Agreement for KLA-Tencor Corporation in the amount of \$1,626,000. The Company proposed to train 3,500 employees in Computer Skills, Continuous Improvement, Manufacturing Skills, Business Skills, and Hazardous Materials. KLA-Tencor manufactures products and provides technology services, including systems and software used by every major semiconductor manufacturer worldwide, to increase manufacturing yields and enhance process improvements. Under the previous contracts KLA-Tencor provided basic TQM training. The company is now requesting ETPs assistance in reaching the next level in its conversion to a high performance workplace.

KLA-Tencor projects that its monetary contribution towards this proposed training would be approximately \$15,100,000. The company further projects that lost production costs will amount to \$8,850,000, and employee wages while in training will amount to approximately \$3,800,000.

Staff recommends that the Panel approve this Proposed Agreement, if it meets the Panel's priorities, and direct staff to prepare a Final Agreement that meets all ETP requirements for approval contingent upon KLA-Tencor providing an approved curriculum that meets ETP requirements. Staff requests the Panel to delegate approval of the Final Agreement to the Executive Director.

Mr. Chan introduced Lynne Stasi, Director of Corporate Learning & Development and Belinda Vaughan, Business Operations Development Manager of the Corporate Learning Center. Ms. Stasi stated that KLA-Tencor has acquired additional facilities located in Hayward, Fremont and San Diego. The Company is expanding its facility in Livermore and has built the first of five buildings in the Livermore area.

ACTION: Mr. Brown moved and Mr. Lennox seconded the Panel approve the Proposed Agreement as proposed and delegate approval of the Final Agreement to the Executive Director.

Motion carried, 6 – 0.

Mr. DeMauro explained the application of a substantial contribution requirement to contractors who have had previous contracts. ETP will apply a 30 percent substantial contribution to a contractor who previously has had two ETP contracts at the same facility and the earnings on those contracts have been more than \$250,000. A 50 percent substantial contribution is required if the contractor has had three previous ETP contracts amounting to more than \$250,000. He explained one of the purposes of the substantial contribution is to encourage companies to provide their own training as a cost of business.

Ericsson Wireless Communications, Inc.

Ms. Torres presented a One-Step Agreement for Ericsson Wireless Communications, Inc. for a total program cost of \$780,000 to train 1,000 retrainees. Ericsson Wireless Communications researches, designs, configures, and manages computer network technology for integrating wireless solutions. Due to the shortage of specialized engineers and information technology staff and the continuing loss of qualified engineers to competitors, Ericsson proposes to train frontline information technology staff in Programming Skills, Project Management, System Administration, Business Applications, MRP/Business Practices and Internet Applications. This training will assist Ericsson in equipping its frontline staff with the skills necessary to create innovative technology and develop new engineering software to respond to changing customer and marketplace demands in wireless communications. Ericsson also proposes to address operating cost and customer satisfaction through business communication team building and management skills.

Ericsson will invest approximately \$875,000 in training and training related expenses, and approximately \$1,375,000 in wages to be paid to trainees while in the ETP training.

Ms. Torres introduced Anthony B. Chartrand, Vice President, Human Resources, CDMA Systems and Phyllis Belial, Manager, Learning and Culture, CDMA Systems. Mr. Chartrand gave a brief synopsis of the Company's history and training needs.

ACTION: Mr. Brown moved and Mr. Rankin seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 6 – 0.

KSL Desert Resorts, Inc.

Ms. Torres presented a One-Step Agreement for KSL Desert Resorts, Inc. for a total program cost of \$227,500 to retrain 300 employees in Continuous Improvement, Business Skills, Computer Skills, Management Skills, and Commercial Skills. KSL proposes to elevate its rating to a five-star rating and recently invested \$50 million in property renovations and technology upgrades. To meet its goals and support its recent investments, KSL proposes to move to a high performance workplace with a training plan that will support this objective.

In addition to the above training, KSL also proposes to train 125 trainees in 18 hours of literacy skills. Projected in-kind costs are approximately \$50,000. Wages to be paid to employees while in training are projected to total \$100,000.

Ms. Torres introduced Johnny So, General Manager, and Tammy Graves, Training Manager. Ms. Kwalwasser was concerned with the Company's high turnover rate of 19.1 percent. Mr. So answered that the Company does have high turnover. He stated one way to eliminate turnover and improve retention is to improve the workers' skills and give the employees the opportunity to earn high earnings.

ACTION: Mr. Holstein moved and Mr. Brown seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 6 – 0.

ditech.com

Ron Tagami, manager of the North Hollywood field office, presented a One-Step Agreement for ditech.com. The company is located in Costa Mesa and is a full service direct mortgage lender, selling mortgages by phone and via the Internet providing loan origination, packaging, and processing more than 100,000 customers annually throughout the United States. Company representatives state that the company must improve services and quality and reduce overhead. To accomplish this, they are requesting Panel funds to retrain 850 employees in Continuous Improvement, Commercial and Management Skills for a program cost of \$970,000.

An estimated loss of profits to the company due to employees being away from the job during training is estimated at over \$1 million during the 21 months of proposed training. Additionally, ditech.com is paying wages and benefits while employees are in training at an estimated cost of over \$1,125,000. Projected training and training-related costs not covered by ETP funds are estimated at an additional \$120,000 for training and administrative personnel. Their in-kind contribution will total \$2,245,000.

Mr. Tagami introduced Bob Morton, Director of Corporate Services. Mr. Morton stated ditech.com is a loan origination company doing business throughout the United States by inbound phone calls and via the Internet. Mr. Morton stated that approximately 70 percent of their business is outside of California. Mr. Brown requested clarification to the Company's out-of-state business. Mr. Morton stated that the Company will do all the training in California and all 1,100 employees are in Costa Mesa, California. Seventy percent of the Company's customers are out-of-state. However, the services are here in California for those out-of-state customers.

Mr. Brown stated he was concerned with making certain the jobs stay here as opposed to going to Arizona, Utah, or other areas that have more populated call centers than call centers here in California. Mr. Morton answered that ditech.com is a subsidiary of GMAC and has made a commitment to stay in California.

Mr. Brown stated that this industry tends to have a high turnover rate and asked what ditech.com's turnover rate experiences were. Mr. Morton answered that the turnover rate within the entire corporation is about 5 percent. Mr. Morton stated he believes the training is going to help the Company reduce the turnover rate immensely by improving workers' skills and giving the workers a better chance to succeed.

Mr. Hodess recommended an amendment to state that the funding is contingent on corporate headquarters remaining in California for three years.

ACTION: Ms. Kwalwasser asked for a vote on the amendment recommended by Mr. Hodess.

Motion carried, 6 – 0.

ACTION: Mr. Lennox moved and Mr. Holstein seconded the Panel approve the One-Step Agreement as proposed with the amendment.

Motion carried, 6 – 0.

DreamWorks, LLC

Mr. Tagami presented a One-Step Agreement for DreamWorks, LLC in the amount of \$126,400 to train in Computer Skills, Business Skills, and Management Skills. The company produces live action motion pictures, animated feature films, network syndicated and cable television programming, home video, and DVD entertainment and consumer products. The company is requesting ETP funds for retraining for 75 employees to install, operate, trouble shoot, and maintain a new software development system.

The company's in-kind contribution, including the wages paid to trainees while in training, totals \$744,460; other training related expenses, which include the rental of

equipment in the training room and an extra worker to provide technical support in the maintenance of the server, total \$855,540. The total in-kind contribution is \$1,600,000.

Mr. Tagami introduced Jeff Gelb, Director of Information Technology. Mr. Hodess commented that ETP has had quite a few post-production contract proposals, mostly multiple employer, and there has not been an employer contribution. Mr. Hodess acknowledged DreamWorks' significant contribution.

ACTION: Mr. Hodess moved and Mr. Lennox seconded the Panel approve this One-Step Agreement.

Motion carried, 6 – 0.

Ericsson, Inc.

Mr. Tagami presented a One-Step Agreement for Ericsson, Inc. in the amount of \$266,690. This company is located in Brea and is a separate facility from the previously approved Ericsson project. This facility produces, tests, services, and supports software that allows wireless telecommunication equipment and systems to operate. The Company is requesting funding to retrain 191 employees in a variety of advanced programming and operating software. In addition to technical skills training, the company will provide Continuous Improvement training to transition to a more efficient and effective high performance workplace environment.

The employer's investment in training not covered by ETP funds totals approximately \$768,314 and \$442,314 for trainee wages paid while in training.

Mr. Tagami introduced Robert Wilson, Training Manager. Mr. Wilson restated the difference between this Company and the other Ericsson facility previously presented to the Panel.

ACTION: Mr. Rankin moved and Mr. Brown seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 6 – 0.

GNP Computers

Mr. Tagami presented a One-Step Agreement for GNP Computers, which is a privately held company that designs, manufactures, and customizes open system computer platforms for the teledatacom marketplace. The Company is located in Monrovia and has 180 employees. The company, in order to build a competitive and high performing workplace, conducted a training needs assessment. One Hundred and Seventy employees will be trained in Continuous Improvement, Management, Computer, Business or High Technology Skills training for a total funding amount of \$244,882. The Company's approximate in-kind contribution will be \$4,559,000.

Mr. Tagami introduced Vincent Knight, Director of Human Resources. Mr. Knight gave a brief overview of GNPs history and the Company's current training needs. Mr. Brown questioned the range of the hourly wages, \$11.54 to \$84.13, which at the higher wage level is about \$170,000 a year. He asked how many people at the higher wage level would be included in this training program. Mr. Knight stated that the training is spread across the whole spectrum of the company and only one or two trainees are in the higher wage range.

ACTION: Mr. Lennox moved and Mr. Holstein seconded the Panel approve the One-Step Agreement.

Motion carried, 6 – 0.

ITT Gilfillan, a Division of ITT Industries, Inc.

Mr. Tagami presented a One-Step Agreement for ITT Gilfillan, a Division of ITT Industries, Inc. The Company is located in Van Nuys and employs the Company's engineering, logistics, and manufacturing teams. Company representatives state that it must retrain 311 employees in Management Skills, Continuous Improvement, Business Skills, Computer Skills and Engineering Skills. This will enable the Company to improve efficiency of the manufacturing facility. The International Union of United Automobile, Aerospace, Agricultural Implement Workers of America (UAW), Local 509 supports the training.

The Company's total in-kind contribution is \$1,060,959.

Mr. Tagami introduced Thomas Kennedy, Vice President and Director of Air Traffic Control Products; and Michael Sermino, Bargaining Committee Chairman, UAW Local 509. Mr. Kennedy briefly presented an overview of both Company products and customers.

ACTION: Mr. Rankin moved and Ms. Kwalwasser seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 6 – 0.

National Training Institute

Mr. Tagami stated that National Training Institute has been withdrawn from consideration at this month's Panel meeting.

Copper Connection, Inc.

Mr. Tagami presented a Proposed Agreement for Copper Connection, Inc. in the amount of \$1,254,550 to retrain 730 employees. This Contractor has had seven

previous agreements with ETP. The participating employers will be able to request training in the following areas: Printed Circuit Design, Integrated Circuit Layout Design, AutoCAD Software, Engineering and Manufacturing Relational Soft Tools, IPCWP Designer Certification and Analog RF and Digital PCB Design. Trainees will receive from between 40 to 120 hours of training. The contractor has stated that the \$20 reimbursement rate is inadequate to cover the cost of training and is requesting to submit a budget for Panel approval of a higher rate similar to Copper Connection's catalog rate of \$28.40 to \$31.71 per hour.

Staff recommends the Panel approve the Proposed Agreement contingent upon the Contractor providing the following for staff review and approval: an acceptable curriculum; signed Primary Contractor's Certification Statement; and a budget acceptable to ETP if the Panel agrees that a budget might be workable.

Staff request that the Panel determine if it is reasonable to: 1) permit the Contractor to submit a budget containing only allowable ETP training and administrative costs to substantiate a higher reimbursement rate. Should the Panel agree to the submission of budget, it would be with the understanding that the Panel agree to the budget and the Contractor must still meet the Panel's policy on employer contributions; or 2) limit reimbursement to the Advanced Technology rate of \$20 per hour along with the 8 percent support costs. Any cost not defrayed by ETP could then be charged to the participating employers.

Mr. Tagami introduced Mary Sugden. Ms. Sugden presented the Panel with a letter detailing the proposal and a new training category for professional training, which she later withdrew. Mr. DeMauro was concerned with statements made by Copper Connection in the letter regarding the consortium not providing any vocational training. Mr. DeMauro stated according to statute, "contracts shall only be made for training in job related vocational skills." Ms. Sugden stated that she interprets "vocational" as taking someone with no previous skills or knowledge and giving them basic skills in occupations so they can get a job. Copper Connection does not provide that type of training. The Copper Connection is basically a training center for "right now" technologies that are impeding the employer's ability to get products to market.

Ms. Kwalwasser stated it would be helpful to the Panel if Ms. Sugden would submit a specific budget. Mr. DeMauro assured the Panel that ETP would work with the Contractor. He stated there has been no question about the quality of the training or the need for the training, the question is how to price this contract.

Ms. Carrillo explained that the Panel could approve the \$20 rate, which is the fixed-fee, and allow the applicant to submit a budget simultaneously. Copper Connection could then proceed with the training but at its own risk. Mr. Brown stated that based on the concerns of General Counsel and staff, he would not approve the proposed contract until it is a finite document.

Mr. Hodess stated that, in his opinion, if he had a capital investment in a business and the changes in technology required retraining the workforce, and ETP could only fund up to \$20 an hour, as a conscientious employer who wants to stay competitive, he would develop a budget fund to allow for training expenses. He stated he could not approve the project without knowing the employer contribution.

Ms. Kwalwasser stated she was not comfortable approving a contract on a contingency basis which could set a bad precedent. Ms. Sugden apologized for any misunderstanding with staff and agreed to bring the proposal back to the June Panel meeting.

Video Symphony EnterTraining, Inc.

Mr. Tagami presented a second Amendment to an existing contract for Video Symphony EnterTraining, Inc. The current agreement retrains employees who work in the entertainment production industry to learn computer-based technology. The term of the current ETP Agreement is February 7, 2000, through February 6, 2002. The contractor is requesting to add 167 trainees at a cost of \$360,000. The in-kind contribution is estimated to be approximately \$495,267 for wages paid to 167 trainees while in training.

IBEW Local 45 is in support of the proposed training program.

Mr. Tagami introduced Michael Flanagan, President. Mr. Flanagan thanked ETP staff and stated that they are pleased to report to the Panel that in their current contract, Video Symphony has trained several hundred employees that are making an average hourly rate of over \$22.50 per hour. Mr. Flanagan was also pleased to inform the Panel that the retention rate for students that go through the program is more than 98 percent. He stated this is a very competitive industry subject to considerable out-of-state competition and the ETP funded training has been important toward keeping production workers employed in California.

Mr. Hodess commented that he was pleased to see employer contributions. He was also impressed with the wage rates.

ACTION: Mr. Brown moved and Mr. Hodess seconded the Panel approve the proposed Amendment.

Motion carried, 6 – 0.

Bell Carter Olive Company

Mr. Rufo presented a One-Step Agreement for Bell Carter Olive Company. This project was a California Manufacturing Technology Association referral to the Panel. This Agreement is for the retraining of 89 employees using a menu curriculum

consisting of Management Skills, Leadership Skills, Business Skills, Continuous Improvement, Manufacturing Skills, and Project Management for Mechanics.

The Bell Carter Olive Company produces and markets a variety of canned olive products worldwide and operates a cannery in Corning, California. The cannery is fully operational year round for 390 full-time employees. This cannery is located in Tehama County, which is a California county with an unemployment rate of 7.6 percent, which exceeds the State average by 50 percent.

The Company will pay wages of \$226,000 to employees during training. After all ETP funded training has been completed, Bell Carter will provide additional on-the-job training to employees at a cost of approximately \$30,000.

Mr. Rufo introduced Don Albright, Human Resources Manager and Matt Maynard with CMTA. Mr. Albright stated that intense foreign competition is forcing the Company to dramatically improve its processes. Bell Carter Olive Company is only one of two remaining domestic olive companies. Its primary focus is to provide workers with management development and technical mechanical training to be able to perform more advanced processes in the plant.

ACTION: Mr. Brown moved and Mr. Lennox seconded the Panel approve the One-Step Agreement.

Motion carried, 6 – 0.

SMT Unlimited, L.P.

Mr. Chan presented a One-Step Agreement for SMT Unlimited, L.P. in the amount of \$133,850 to retrain 145 employees, 65 in the Hollister plant and 80 in Fremont. SMT produces printed circuit boards and other customized electronic contract manufacturing components. They design, manufacture and distribute customized, short-run printed circuit boards, along with high-volume board orders to companies throughout the United States and Asia.

SMT is requesting a waiver to the ETP's 20 percent turnover rate. SMT's turnover rate for 1999 was 20 percent and for 2000, 24 percent. The company states that this increase can be attributed to changes as the Company expanded. SMT recognizes that it must remedy the situation and has set the following five goals to reduce the turnover rate: 1) giving raises to the remaining employees, 2) being committed to a policy of promoting from within whenever possible, 3) implementing a more comprehensive healthcare plan, 4) in year 2001, added a 401K program with a 50 percent Company match, and 5) Implementing the ETP training program. ETP staff has inserted language into the contract stating that 25 percent of the Agreement amount would be withheld should the 20 percent turnover rate not be accomplished.

SMT Unlimited is also requesting a waiver of ETP's minimum hourly wage requirement of \$10.58 per hour for its workers employed at its Hollister plant in San Benito County. San Benito County's unemployment rate is 9.8 percent, which exceeds the State average by 50 percent.

Mr. Chan introduced Dale Williams, Manufacturing Manager, and Len Fairfield, Human Resources Manager. Mr. Williams stated this training proposal would assist SMT Unlimited in providing the necessary training to increase the employees' skill levels, which in turn will increase the employees' wages. He stated this is critical for the employees in the Hollister area who have never worked in a fast-paced, high-tech environment. This training proposal will also help SMT Unlimited to structure a more formalized training program to continue after the ETP contract expires.

Mr. Rankin asked staff what the ETP minimum wage is in Hollister. The Panel was informed that the ETP minimum wage would be \$10.58 per hour, but because Hollister is a High Unemployment Area the Panel is allowed to waive it. Mr. Rankin was concerned with the length of time it would take the Hollister workers to reach the \$10.58 per hour rate. Mr. Fairfield answered that it would depend on the position of the employee. Many of the employees have a non-manufacturing background, coming from seasonal farm type work.

Mr. Kwalwasser was concerned that the minimum wage would not be met by the end of the term of the Contract. Mr. Williams stated that these employees will receive between 5 percent and 8 percent annual increases over the two-year period including benefits and it is anticipated that all these employees will be able to meet the \$9.05 minimum wage by the end of the contract. Ms. Carrillo stated that the law allows the wage to be waived for this training as it is in a High Unemployment Area, provided that the wage after employment retention is higher than that received during training. Mr. Rankin was concerned that unless that salary increase takes effect upon completion of the 90-day retention period, the wage requirement would not be met. Ms. Carrillo stated that she believes the contract would have to be clarified in order to specify that the wage after the retention period has to be higher than that during training.

Mr. Rankin was still concerned with the Panel funding a project where, at the end of the two-year contract, the trainees are not at the ETP minimum wage rate level. Kelly Greer, President, Strategy Workplace Communications, pointed out that there are only 10-15 trainees who are at this base level because they are new to the high-tech manufacturing industry.

Mr. Brown stated that he is not in favor of supporting extremely low wages, but he is inclined to support this project because of the high unemployment in the area and because so much of this industry has moved out of state.

Ms. Carrillo stated that in order to allow this waiver, contract language would need to be written to specify that the wage increase has to take place after the 90-day

retention. ETP would specifically state that trainees are currently earning \$7.44 per hour and after the employment retention, including health benefits, trainees' wages would be increased to \$9.05 per hour.

Mr. DeMauro stated the wage requirement set out in Unemployment Insurance Code Section 10201(g) reads as follows: "The Panel may waive the minimum wage requirements, provided that the post-retention wage of each trainee who has completed training and the required retention period exceeds his or her wage before and during training. This determination shall be made on a project-by-project basis to ensure that post-training improvements and earnings are sufficient to warrant the investment of public funds."

Mr. Hodess and Mr. Rankin requested language be written into the contract stating that at the end of 90-day retention period following training, the trainees would receive a 5 percent salary increase.

ACTION: Mr. Brown moved and Mr. Holstein seconded the Panel approve the One-Step Agreement as proposed with the provision that trainees wages during training of \$7.44 per hour excluding health benefits will be increased after the employment retention by at least 5 percent.

Motion carried, 5 – 1 (Mr. Lennox voted no).

California Manufacturing Technology Center (CMTC)

Mr. Tagami presented a Proposed Agreement for the California Manufacturing Technology Center. This will be the fourth agreement between CMTC and the Panel. CMTC is a private non-profit organization established in 1992 to assist small and medium sized manufacturers in California to increase their competitive advantage by adopting approved methods of management and manufacturing. A menu curriculum is used to customize training for employers and the training is delivered by its California community college partners. The Proposed Agreement is requesting funding to retrain 2,530 retrainees in the amount of \$2,457,080. The contractor is requesting to train 230 of the 2,530 employees for companies located High Unemployment Areas and is requesting a waiver to the ETP minimum wage for these employees. The chart shows that these employees will earn no less than \$7.50 per hour, which may include benefits. The post retention wage for these trainees will exceed the wage before and during training by 5 percent.

Mr. Tagami introduced Leila Mozaffari, Vice President of Operations of CMTC, and Cheryl Slobodian, Training and College Relations Program Manager.

Ms. Mozaffari stated all the training is customized and is delivered on-site at the manufacturers' sites. The companies have in-kind contributions of shared fees for

materials and the training needs assessment as well as facilities and employee wages paid during training.

Mr. DeMauro stated that this is a Proposed Agreement and would come back on the Panel's consent calendar next month as a Final Agreement with the contingency that there be included a curriculum, a Technical Board Resolution, and the Participating Employer List. Ms. Slobodian stated that the union support letters would be included in the completed package also.

Panel members questioned the 23 percent cost charged for contract development, administration, and marketing. Mr. Brown requested CMTC to prepare a budget detailing the costs for administration and marketing.

ACTION: Mr. Brown moved and Mr. Hodess seconded the Panel approve this Proposed Agreement with contingencies.

Motion carried, 6 – 0.

Mariner Post Acute Network, Inc.

Mr. Tagami presented a One-Step Agreement for Mariner Post Acute Network, Inc. in the amount of \$522,000. The Contractor is requesting to use ETP Welfare to Work funds to train 132 CalWork recipients. In addition, the Contractor is requesting to train 18 new hire trainees. All trainees will receive 232 hours training in Continuous Improvement and Commercial Skills. Welfare to Work trainees will be employed 24 hours per week while in training. New Hire trainees will be unemployed for the first 42 hours of training and employed for the remaining training hours.

This training project originally included a number of Mariner facilities that are not currently included in the project. Employees at these facilities, which were removed during the development of the project, are represented by the Service Employees International Union (SEIU). SEIU determined that it would not support the proposed training. The Agreement before the Panel, therefore, excludes those Mariner facilities with SEIU representation. However, Teamsters Union, Local 856, which represents Mariner employees at the Creekside facility in San Pablo, supports the training. No other Mariner facility included in this project has union representation.

That statutory and regulatory mandate pertaining to approval of contracts where employees are represented by a collective bargaining agreement requires the relevant labor organization's written agreement to the proposed training. Earlier in the Panel's history, "carving out" facilities without union support was considered acceptable, so long as there was written support of those facilities actually involved in the training. Staff brought this situation to the Panel's attention to determine whether there is a current Panel determination that the proposed Mariner training meets the statutory mandate.

Mr. Tagami introduces Lori Stewart, Regional Director of Human Resources, West Region; Debby Friedman, Regional Vice President-Operations, Northern California; Kelly Atkins, Regional Vice President-Operations, Southern California; and Dr. Chavis, Consultant. Mr. DeMauro commented that the Welfare to Work training is only classroom training and not structured on-site training. Mr. Tagami stated that all 232 hours are classroom training.

Ms. Atkins stated that not only is California currently in an energy crisis, but also in a nursing shortage crisis. Today there are over 30,000 nursing positions vacant, most of which are Certified Nursing Assistant (CNA) positions. There is also a decline in traditional nursing school enrollments.

Dr. Chavis stated that this is a Welfare-to-Work project and meets the legislative priorities for a career ladder program because individuals are hired in a lower position of Nursing Assistant and then, with training, are able to promote to Certified Nursing Assistant and the opportunity for career growth.

Mr. Holstein asked what were the union's reasons for not supporting the proposed training program. Ms. Stewart stated that the reasons are still unclear. Mariner is currently negotiating with the union and hopefully during negotiations the reasons will be clarified.

Mr. Lennox stated the proposed administration fees not to exceed \$104,000 seemed to be high. Ms. Carrillo stated that for the Welfare to Work population and New Hires, Contractors are allowed up to 25 percent for administration cost. Dr. Chavis stated that World Solutions would be administering the project, doing all the ETP record keeping requirements, etc., the recruitment, all of the collaborative agreements for the referral sources and social service agencies in the various counties. The California Career School, which was not listed as a subcontractor in the narrative, will provide the specific training.

Mr. Rankin asked what happens after the 42 hours the trainees are unemployed and when does the trainee receive a wage? Dr. Chavis stated that after 42 hours the trainee would begin working and begins earning a wage. There is collaboration between the school and a healthcare facility. In the healthcare facility there is a Director of Staff Development who provides in-house training. The instructor from the school works very closely with the Director of Staff Development to ensure that the training is customized for that particular facility.

Mr. DeMauro stated ETP would like clarified what the cash allocation and administration duties would be with regard to World Solutions, the Contractor, and California Career Schools. Mr. Hodess stated that since the Panel will be discussing Welfare to Work at the June meeting and he, too, would like the subcontract arrangement clarified, he suggested this proposal be held over to the June meeting.

ACTION: Mr. Hodess moved and Mr. Rankin seconded to have the Mariner Post Acute Network, Inc. proposal postponed to the June meeting.

Motion failed, 3 – 3 (Mr. Rankin, Mr. Holstein, and Mr. Brown voted no).

Mr. Brown suggested going forward with this project with the contingency that the Contractor submits a detailed document pertaining to administrative duties.

Ms. Carrillo stated that during the monitoring phase ETP would make sure to clarify the role of both World Solutions and California Career Schools. ETP staff would review and approve the subcontract as to the allocation of money and what services would be delivered; and if the subcontractor fails to meet the criteria, funds would not be released.

ACTION: Mr. Brown moved and Mr. Holstein seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 6 - 0.

Mr. Rankin commented in regards to Welfare to Work projects, the Panel needs to concentrate on the career path that leads to advancement and not to a “dead-end” low wage job.

IX. PUBLIC COMMENT

Steve Duscha representing the Alliance for ETP, which represents many of the organizations that do business with ETP on a regular basis commented that the Alliance endorses the action taken this morning regarding reallocation of ETP funds. He suggested that the redirected funds could be used to support training in companies that have been adversely impacted by high-energy prices or intermittent energy supplies. The Alliance would like to work with anyone on that subject who is interested.

Mr. Duscha stated that The Alliance supports the staff recommendation that is before the Panel on employer contributions.

Rand Stallings, Foundation for Education Excellence College, San Diego, stated the College supports ETP staff recommendations on the policy issues being presented at today's Panel meeting. He stated a concern, however, in regards to the new hire employer contribution, and the lack of control the multiple employer contractor has in regards to not knowing with which employer a new trainee will be placed.

Kathleen Milnes, Entertainment Industry Development Corporation, explained the purpose of and background information on the Entertainment Industry Development Corporation to the new Panel members and thanked the ETP for the continued support. She did not have any specific recommendation on the multiple employer contribution issue. She stated the proposed process is more complicated as to

collecting and quantifying information and asked the Panel to consider different strategies in dealing with the different issues in industry specific training.

Bert Schuster, Executive Director, Training Center of the National Tooling and Machining Association in Fremont, stated the Training Center has been providing retraining and new hire training with ETP funding for the last 13 years. He spoke on the new hire training and the multiple reasons for people being unemployed. He recommended the employer's hiring process be simplified. He also recommended the employer not be required to pay a fee for new hires.

Nancy Ho, Practical Data Processing, spoke on the successful placement of ETP new hire trainees. Ms. Ho stated Practical Data Processing has taken more than 700 persons off of unemployment and with the aid of ETP funded training they have been placed in permanent full time employment. She recommended the Panel have special consideration for the new hire program.

Mike Flanigan, Video Symphony, stated that employers who have participated in training do see a value in training and are willing to make a contribution investment. He suggested the entertainment industry employees, who are for the most part free-lance workers, make contributions. Mr. Flanigan stated every participant, whether employer or employee, should have the same level of contribution commitment to the program.

Jean Stehman, Director, The George G. Glenner Alzheimer's Family Centers in San Diego, commented on the success of providing quality workers resulting from the ETP funded training programs. She stated the employers, upon seeing the benefits of training, do contribute, after the fact, by continuing training after hiring trainees. Ms. Stehman said half of the training is done at a clinical site. She stated those employers tend to hire most of the students and the employer is allowing use of the facility and equipment while the trainees are in training.

Sallyanne Monti, Manex, described to the new Panel members the services Manex provides. Manex serves multiple employers in the manufacturing industry. She stated the employer contribution is for the purpose of a commitment to maintaining the integrity of a great training program. She added the commitment could be in the form of wages, out of pocket expenses, etc. She stated that Manex supports the staff's recommendation for a 50 percent employer contribution in multiple employer contracts. She stated that Manex also supports the Panel's aggressive efforts in continuing to insist upon commitment to the program by measuring wages, and by assuring training is customized and not generic.

Ms. Kwalwasser announced the June Panel meeting will be held on June 28 for project presentations and on the morning of June 29 to discuss and approve the ETP Strategic Plan.

X. POLICY ISSUES

Ms. Kwalwasser announced the policy issues regarding Wages, Tips, and Welfare to Work that were to be presented at this month's Panel meeting for discussion and action will be postponed to a later date. She asked the Panel if there were any questions or further discussion regarding the policy issue on Employer Contribution. Mr. Hodess commented on the cost of lost production time. He stated an employer paying employee wages while employees are in training and are not involved in production could be construed as an employer contribution, or if an employer is paying a worker to be trained and production time is being lost, the lost production time could be the employer's contribution. He stated, in his opinion, an employer cannot get credit for both. Ms. Carrillo stated the Policy specifically states that an employer cannot take credit for both. Mr. Hodess suggested monitoring the retention of employers in multiple employer contracts who do not make employer contributions. Mr. Rankin stated the Panel should strive for a uniform contribution. Ms. Carrillo stated staff will be collecting data on employer contributions in multiple employer contracts and information will be brought back to the Panel at a later date. Staff will begin implementing the Employer Contribution Policy effective June 1, 2001.

ACTION: Mr. Rankin moved and Mr. Lennox seconded the Panel approve the recommendations from staff regarding Employer Contribution.

Motion carried, 6 – 0.

XI. EXECUTIVE SESSION

There was no Executive Session.

XII. ADJOURN

There being no further business and no objection, the meeting was adjourned at 4:15 p.m.